

All of these hypotheses are consistent with the fact that a substantial share of renters in the group with priority for housing aid lived in units that were expensive in comparison with other units of similar size in their local market area. For instance, some 31 percent of renters with priority lived in units with rents greater than the relevant FMR for their size unit, a much higher proportion than the 8 percent of other very low income households that did so.

Other renters may have had little choice in the matter, however. They simply may have been unable to find cheaper units. That phenomenon is indicative of the overall shortfall of low-rent units discussed in Chapter 2. It also reflects the fact that many of the existing low-rent units are occupied by households with higher incomes and thus are not available to those with lower incomes. It could point as well to imperfections in the housing market—for example, discrimination—that restrict the access of some households to cheaper units in their localities.

Mobility

The relatively small rent-to-income ratios of many renters who received assistance undoubtedly help to

explain their low rates of mobility. Overall, the mobility rates of renters are relatively high: in 1989, at the time of the AHS, 37 percent of all renters had moved into their current housing unit within the past 12 months (see Table 7). Among subsidized renters, however, only 21 percent had moved in that recently, compared with 42 percent of unsubsidized renters with priority and 36 percent of other very low income renters.

All demographic groups except the elderly showed similar mobility patterns. Mobility among the subsidized groups other than elderly renters hovered around 25 percent, which was typically a little more than half the rates of their priority counterparts. For the elderly, however, mobility rates were much lower in general—only 13 percent of all elderly renters moved in a given year. The rates were similar for all elderly renters, whether or not they received assistance.

Thus, the overall low rate of mobility of subsidized households is due in part to the relatively large share of households in that group that are headed by elderly people. The remaining variation in mobility between renters who are subsidized and renters who are not must be explained by factors

Table 7.
Percentage of Subsidized and Unsubsidized Renter Households That Moved into Their Current Units During the Past 12 Months, by Demographic Group and Priority for Housing Assistance, 1989

Demographic Group ^a	Subsidized	Unsubsidized			All	
		Very Low Income		Low Income		
		Priority	Other			
Elderly, Without Children	12	15	12	11	17	13
Nonelderly, Without Children	26	47	45	46	41	42
One or Two Children	28	51	41	42	36	39
Three or More Children	24	44	38	44	36	38
All Households	21	42	36	40	38	37

SOURCE: Congressional Budget Office based on a special version of the Census Bureau's 1989 American Housing Survey.

NOTE: See Box 3 for definitions of household groups and their priority status. The data exclude renters who paid no cash rent.

a. Elderly households are those headed by a person age 62 or older. Children are household members under age 18.

other than income and demographics. Part of the explanation could be that, in general, households that receive subsidies tied to particular apartments would lose those subsidies if they relocated. In addition, households receiving subsidies that are portable (certificates or vouchers) may have limited choices of where to live.¹⁵ Not all landlords wish to participate in government programs.

The Economic, Housing, and Neighborhood Problems of Subsidized and Unsubsidized Renters

In general, if the goals of housing programs are being met, one would expect to find relatively few subsidized households that paid more than 30 percent of their income for rent and few that lived in substandard or crowded conditions. In contrast, every priority household by definition will have at least one of those problems. Moreover, any problems with affordability or substandard conditions that occur among other very low income households will, again by definition, be less serious than those experienced by households in the priority group. The shares of income spent for housing by other very low income households will not exceed 50 percent, and units will be at most moderately substandard. Problems with crowding and neighborhoods are not criteria for priority, however. They could affect households with and without priority equally.

Objectively Measured Housing Problems

Although housing assistance programs reduce the incidence and severity of housing problems, they fall short of eliminating them, according to the American Housing Survey. In 1989, roughly half of the subsidized households in each of the four demographic

groups experienced one or more of the housing problems considered under this heading (see Box 2 on page 30). In terms of affordability, households receiving assistance spent an average of 34 percent of their income for rent; at least 39 percent of the households in each of the four groups paid more than the 30 percent standard (see Figure 17). In terms of other types of housing problems that can be objectively measured, from 7 percent to 38 percent of the various groups of subsidized households lived in either substandard or crowded housing units.

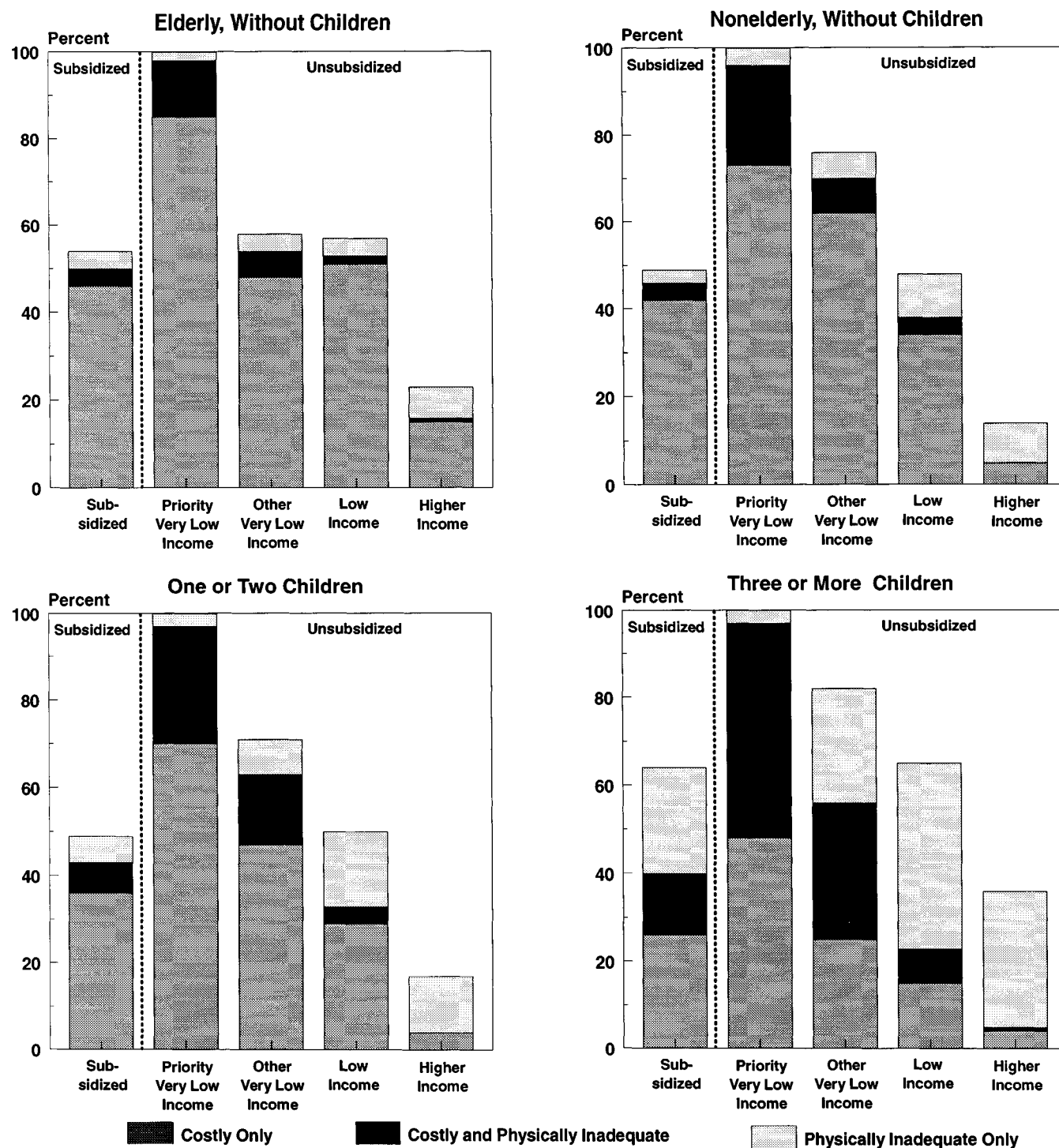
The characteristics of certain housing assistance programs can only partially explain why the housing costs of so many subsidized households exceeded 30 percent of their income. For example, recipients of housing vouchers may (and many do) pay more than 30 percent of their income for housing if they rent relatively high-cost units. In addition, the allowances that some programs provide for utility costs that are not included in rent payments to the landlord are known to fall short of what many subsidized households actually pay for utilities. Those additional costs raise total payments above 30 percent of income. Nevertheless, some households may simply have misunderstood the AHS's questions on income and housing costs.¹⁶

Unsubsidized households with very low incomes were considerably worse off along these objectively measured dimensions than were subsidized households. All unsubsidized households with priority had (by definition) one or more housing problems, as did between 60 percent and 80 percent of other very low income households. Affordability was by far the most common difficulty; virtually all priority renters and 54 percent or more of other very low income renters in the four demographic groups paid more than 30 percent of their income for housing. The more serious nature of this problem for renters with priority was reflected in the fact that they spent an average of 73 percent of their income for housing, compared with 34 percent for other very low income renters.

15. Mobility rates among households with household-based subsidies (28 percent) were substantially higher than rates among households with project-based subsidies (19 percent).

16. As previously mentioned, some households underreport their incomes. In addition, some assisted households may report the rents their units command rather than their out-of-pocket payments, despite special efforts made in the AHS to prevent that problem. See Department of Housing and Urban Development, *Characteristics of HUD-Assisted Renters*.

Figure 17.
Percentage of Subsidized and Unsubsidized Renters with Housing Problems, by Demographic Group and Priority for Housing Assistance, 1989



SOURCE: Congressional Budget Office based on a special version of the Census Bureau's 1989 American Housing Survey.

NOTES: Elderly households are those headed by a person age 62 or older. Children are household members age 18 or younger. See Box 2 for definitions of housing problems and Box 3 for definitions of household groups and their priority status. The data exclude renters who paid no cash rent.

Physically inadequate units are substandard or crowded, or both.

Affordability was, in fact, the only problem faced by the vast majority of very low income unsubsidized households in all demographic groups except large families. For them, problems of inadequate housing were also very common. Well over half of unsubsidized large families with very low incomes lived in either substandard or crowded units. And for the majority of those families, the problems of inadequate housing were combined with paying a large share of their income for rent.

Households with children were more likely to live in physically inadequate housing than households without children--among both subsidized and unsubsidized groups. For significant shares of families with children, inadequate housing meant living in crowded conditions; among childless households, inadequate housing meant living in substandard units (see Figure 18). The prevalence of crowding in units occupied by large families was especially notable and was a problem even for low- and higher-income large households. The cause could be a general shortage of large rental units. Alternatively, some large families may not view the sharing of a bedroom by three children as a problem.

Housing assistance reduced the incidence of substandard housing for all types of households that received it, compared with their unsubsidized counterparts in the priority group. It put most groups of subsidized households effectively on a par with their unsubsidized counterparts in all other income categories. Yet for large families, the impact of assistance was minimal: 23 percent of subsidized households with three or more children lived in substandard units, compared with 28 percent of their priority counterparts. With the problem of crowding, however, housing assistance was quite effective for those large families. Only one in five of assisted large households lived in crowded conditions, compared with up to half of their very low income unassisted counterparts.

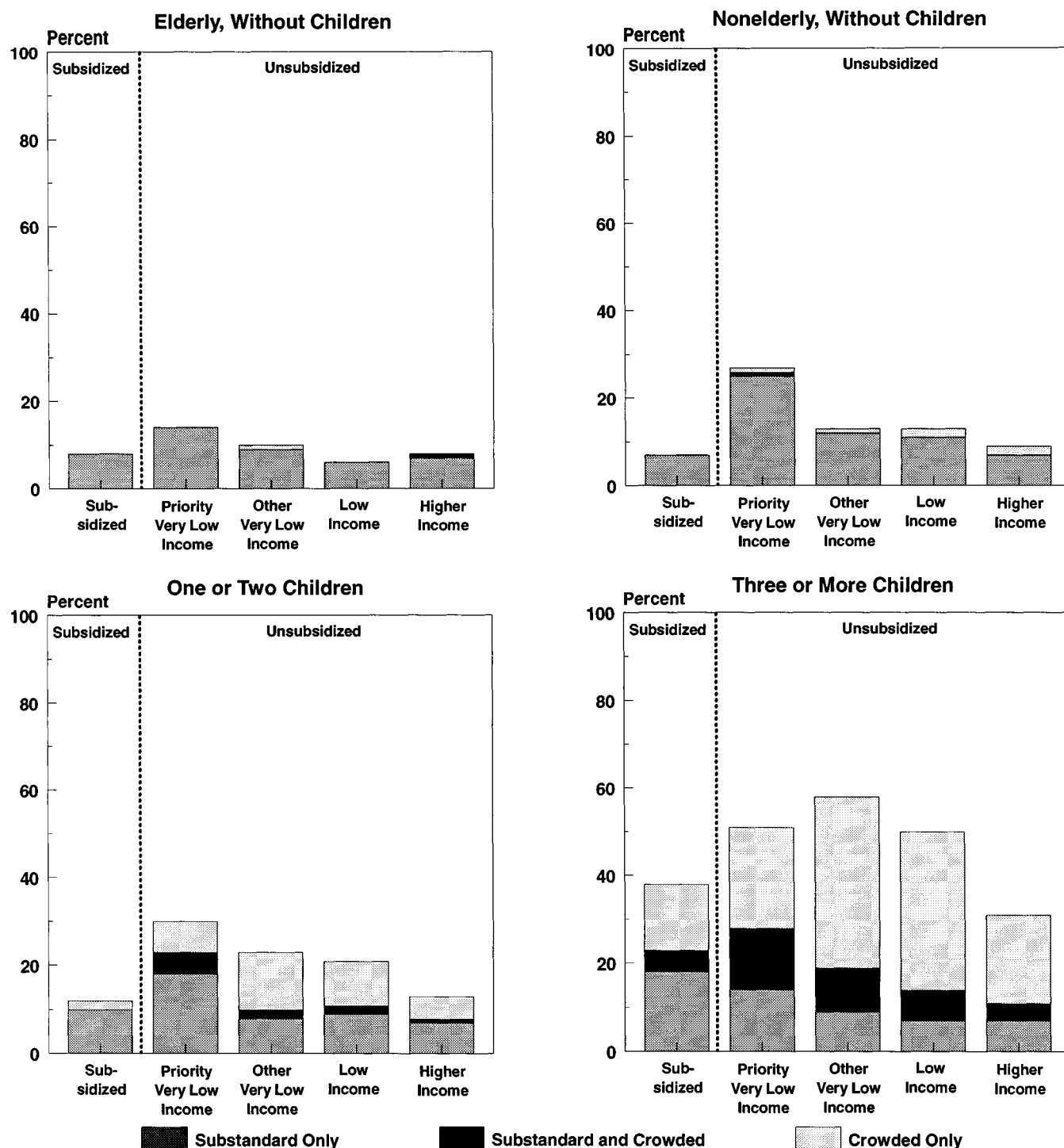
Subjectively Measured Problems with Housing and Neighborhood Conditions

The proportion of households that rated their housing or their neighborhood condition as unsatisfactory varied much less among income groups than might be expected given the variation in the prevalence of inadequate housing. Overall, subsidized households were about as likely as very low income ones that did not receive subsidies to rate their housing or their neighborhood condition as poor (see Figure 19). And those groups were only somewhat more likely than higher-income renters to express dissatisfaction with those conditions. A possible explanation for that result might be that people with lower incomes had lower expectations for their housing situation and consequently gave higher ratings to a given unit or neighborhood than people with higher incomes would have given.

Within each category of income, households with children were the demographic group most likely to report dissatisfaction with either their neighborhood, their housing unit, or both. Fully half of both subsidized and unsubsidized very low income families with three or more children reported those difficulties, compared with roughly 20 percent of the elderly.

Recipients of housing aid were relatively more likely to be satisfied with their units, but for assisted households with children, those units were more likely to be in unsatisfactory neighborhoods. In particular, of the renters who reported problems, those who received assistance were generally less likely than unsubsidized very low income households to express dissatisfaction with their housing unit. That pattern is consistent with the relatively lower incidence of crowding and substandard housing among subsidized households (discussed above). However, among households with children, those with subsidies were more likely than their counterparts without subsidies to rate their neighborhood as poor. No such difference was evident among childless households.

Figure 18.
Percentage of Subsidized and Unsubsidized Renters with Physically Inadequate Housing,
by Demographic Group and Priority for Housing Assistance, 1989

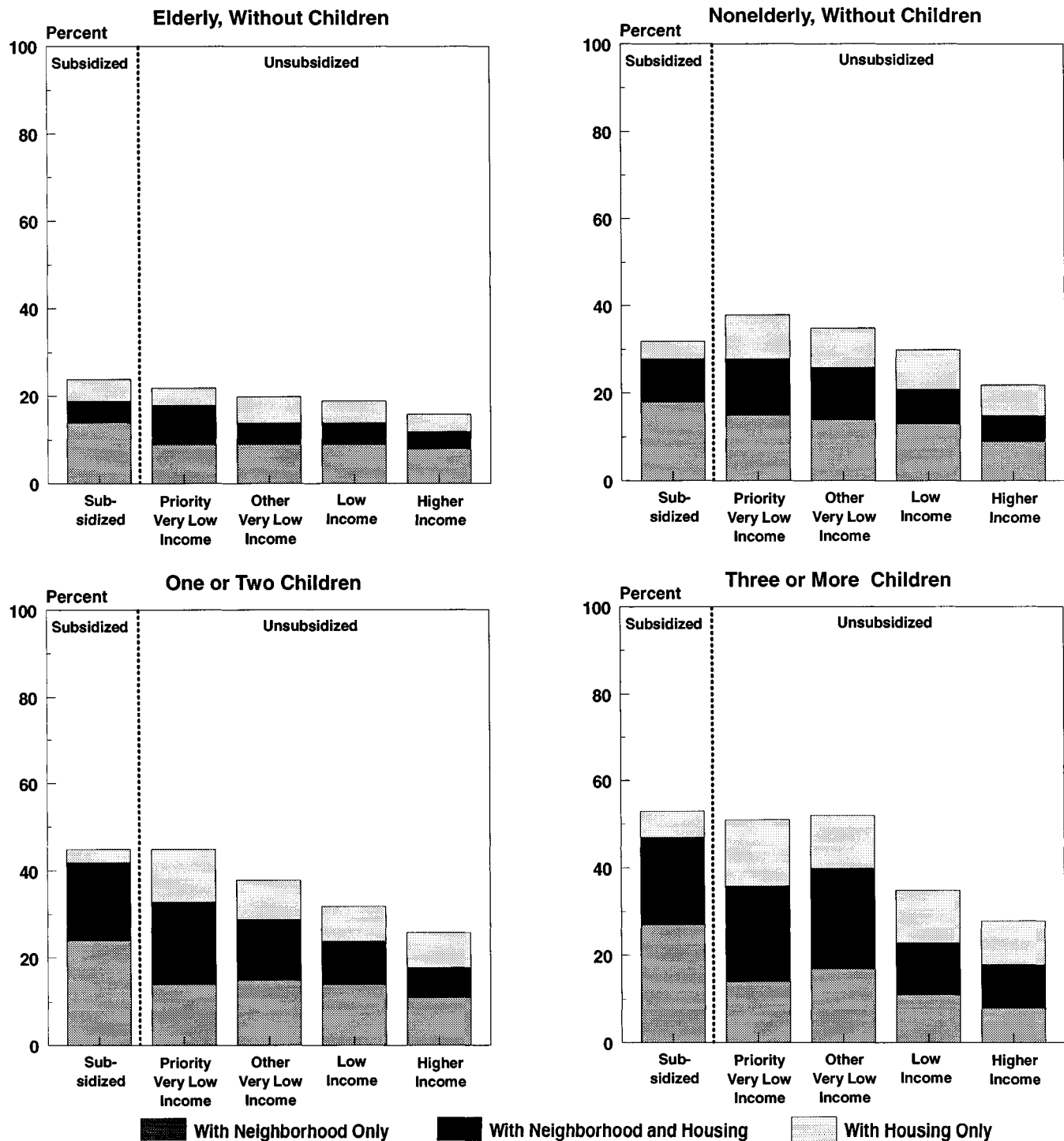


SOURCE: Congressional Budget Office based on a special version of the Census Bureau's 1989 American Housing Survey.

NOTES: Elderly households are those headed by a person age 62 or older. Children are household members age 18 or younger. See Box 3 for definitions of household groups and their priority status. The data exclude renters who paid no cash rent.

Physically inadequate units are substandard or crowded, or both. See Box 2 for definitions.

Figure 19.
Percentage of Subsidized and Unsubsidized Renters Dissatisfied with Their Neighborhoods or Housing Conditions, by Demographic Group and Priority for Housing Assistance, 1989



SOURCE: Congressional Budget Office based on a special version of the Census Bureau's 1989 American Housing Survey.

NOTE: Elderly households are those headed by a person age 62 or older. Children are household members age 18 or younger. See Box 3 for definitions of household groups and their priority status. The data exclude renters who paid no cash rent.

Housing Problems of Very Low Income Households by Type of Housing Assistance and Rent Level

Thus far, this analysis has combined the recipients of housing aid. It has made no distinction between households that receive so-called project-based assistance, which requires them to live in specifically designated projects, and those with household-based aid, which allows renters to live in units of their own choosing, provided those units meet certain standards. Considering the housing outcomes of the recipients of each type of aid can illuminate some of the potential advantages and disadvantages of the two kinds. In addition, comparing the recipients of household-based subsidies with households having similar incomes but living in units with rents below the local FMR—that is, within HUD's rental guidelines for that type of program—can indicate whether and to what extent those subsidies improve other housing outcomes besides lowering costs. And contrasting the housing outcomes of unsubsidized very low income households that pay rents below the FMR with the outcomes of those whose rents are above it shows whether renting relatively expensive units tends to improve housing conditions for this group. If so, one might argue that the high housing costs of at least some of those households represent a voluntary choice. Such a finding might call into question the practice of making high housing costs a main criterion for priority for federal housing aid.

Of the 4.1 million rental units that HUD subsidized in 1989, 3 million were in projects specifically constructed for use by assisted households. The remaining 1.1 million units were in the existing stock of private rental housing. There, aid was tied to the household rather than to the unit itself. Of the 28 million unsubsidized units in the United States, 16.4 million, or close to 60 percent, had rents that were no greater than the local FMR.¹⁷ Those rents were suffi-

ciently low that the housing units could be made affordable to very low income households if the federal government provided subsidies.

The Mismatch Revisited

The survey data produced further evidence of the mismatch between households and rental units that they could afford (see Chapter 2). Many of the units that were potentially affordable to very low income households were occupied by households with higher incomes. For subsidized renters, the mismatch was greater among households with project-based subsidies than among those with household-based aid: nearly one in five units in subsidized projects was occupied by a household with income above the very low income threshold, compared with one in seven units that had its rent subsidized through household-based aid (see Appendix C, Table C-6). That finding reflects in part the stricter targeting rules that apply to household-based programs.

The mismatch was more apparent among unsubsidized rental units. One in three of the lower-rent units was occupied by a higher-income household, whereas one in six of the higher-rent units was occupied by a household with very low income. Mostly because of high rents, more than 80 percent of the very low income households in the more expensive units qualified for priority for housing aid, compared with 46 percent of those in the lower-rent units. However, if the households living in those expensive units were given household-based aid, they would have to pay more than 30 percent of their income for rent (or use that aid to move to a lower-cost unit).

Demographic Characteristics of Very Low Income Renters

The AHS data show that about 3.4 million very low income households received housing aid in 1989 (see

17. HUD sets FMRs at the 45th percentile of rents for unsubsidized units that have turned over during the past two years. The fact that more than 45 percent of all units—including those that have not turned

over—have rents below the FMR is to be expected, because landlords tend to increase rents when units turn over. The 60 percent figure probably overstates somewhat the proportion of units with market rents below the FMR because it includes some units whose tenants reported receiving housing subsidies.

Table 8.
Subsidized and Unsubsidized Very Low Income Renter Households,
by Demographic Group and Type of Subsidy or Rent Level, 1989

Demographic Group ^a	Subsidized		Unsubsidized	
	Project Based	Household Based	Up to FMR ^b	More than FMR ^b
In Thousands				
All Households	2,450	917	6,788	1,754
As a Percentage of All Households				
Elderly, Without Children	46	26	21	19
Nonelderly, Without Children	16	14	34	42
One or Two Children	27	42	30	27
Three or More Children	<u>10</u>	<u>18</u>	<u>15</u>	<u>12</u>
Total	100	100	100	100

SOURCE: Congressional Budget Office based on a special version of the Census Bureau's 1989 American Housing Survey.

NOTE: See Box 1 for definitions of types of subsidies and Box 3 for a definition of very low income renters. The data exclude renters who paid no cash rent.

a. Elderly households are those headed by a person age 62 or older. Children are household members under age 18.

b. The fair market rent (FMR) is the maximum rent in a geographic area that the Department of Housing and Urban Development subsidizes in some of its programs.

Table 8). Of those households, the majority (2.5 million) received project-based aid, with those subsidies going disproportionately to elderly households. Among the recipients of household-based aid, households with children received the bulk of the assistance. Those results reflect the relatively large number of subsidized projects that have been built specifically for elderly and disabled households, in part because such projects have traditionally encountered less resistance from the local community than those designated for households with children.

The data show relatively little variation in the demographic composition of very low income households occupying unsubsidized low- and high-rent units. However, households with children were somewhat more likely to live in relatively inexpensive units, and nonelderly, childless households were more likely to live in higher-priced units.

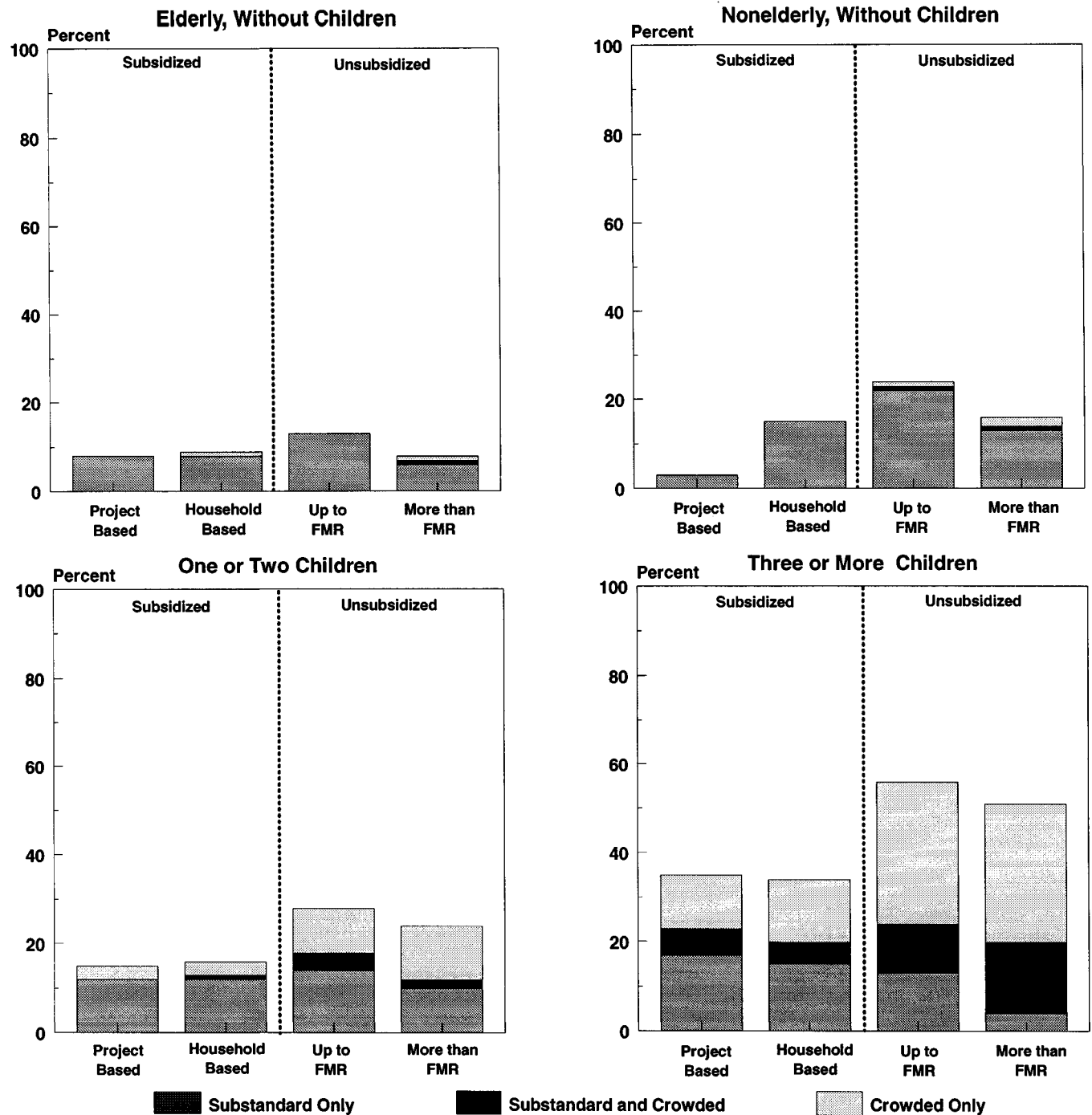
Objectively Measured Housing Problems of Very Low Income Renters

As a whole, households with project-based subsidies had a somewhat lower incidence of substandard or crowded conditions than did those with household-based aid (12 percent versus 17 percent), but that difference is somewhat misleading. Among the various demographic groups of recipients, that pattern occurred only among nonelderly households without children (see Figure 20). For the remaining groups, the incidence of substandard or crowded housing differed little between recipients of the two types of aid.¹⁸ The main reason for the lower incidence of

18. These results hold true even after controlling for numerous household, housing, and location characteristics. See Sandra J. Newman and Ann B. Schnare, "Last in Line: Housing Assistance for Households with Children," *Housing Policy Debate*, vol. 4, no 3 (1993), pp. 417-455.

Figure 20.

Percentage of Subsidized and Unsubsidized Very Low Income Renters with Physically Inadequate Housing, by Demographic Group and Type of Subsidy or Rent Level, 1989



SOURCE: Congressional Budget Office based on a special version of the Census Bureau's 1989 American Housing Survey.

NOTES: Elderly households are those headed by a person age 62 or older. Children are household members age 18 or younger. See Box 1 for definitions of types of subsidies and Box 3 for a definition of very low income renters. The data exclude renters who paid no cash rent. Physically inadequate units are substandard or crowded, or both. See Box 2 for definitions.

The fair market rent (FMR) is the maximum rent in a geographic area that the Department of Housing and Urban Development subsidizes in some of its programs.

housing problems among recipients of project-based aid was the disproportionately large share of elderly households that live in those types of units. The elderly were unlikely to encounter physical housing problems no matter where they lived.

Recipients of both project-based and household-based subsidies were less likely to have housing problems than were their unsubsidized counterparts. That outcome was especially relevant for recipients of household-based aid. Like their unsubsidized counterparts, they lived in the private rental stock. But their subsidies allowed them to choose units that had higher rents and that generally were more suitable to their needs.¹⁹ In particular, as noted earlier, 17 percent of very low income renters with household-based subsidies lived in substandard or crowded housing. That figure compares with 27 percent of renters living in unsubsidized, lower-rent units and 21 percent of renters living in unsubsidized, more expensive units. Household-based subsidies were especially effective in allowing households with children to rent units of a size appropriate to their needs in the private stock. For example, although 43 percent of large families in unsubsidized, lower-rent units lived in crowded conditions, only 19 percent of those receiving household-based aid did so.

The differences in physical housing conditions between unsubsidized households that rented relatively expensive units and similar households renting cheaper units were minimal. In general, paying high rents slightly increased the likelihood of getting a better-quality unit but did little in terms of obtaining units with sufficient space.

Subjectively Measured Housing and Neighborhood Problems of Very Low Income Households

The above findings showed a remarkable similarity in the incidence of objectively measured housing problems between households receiving the two

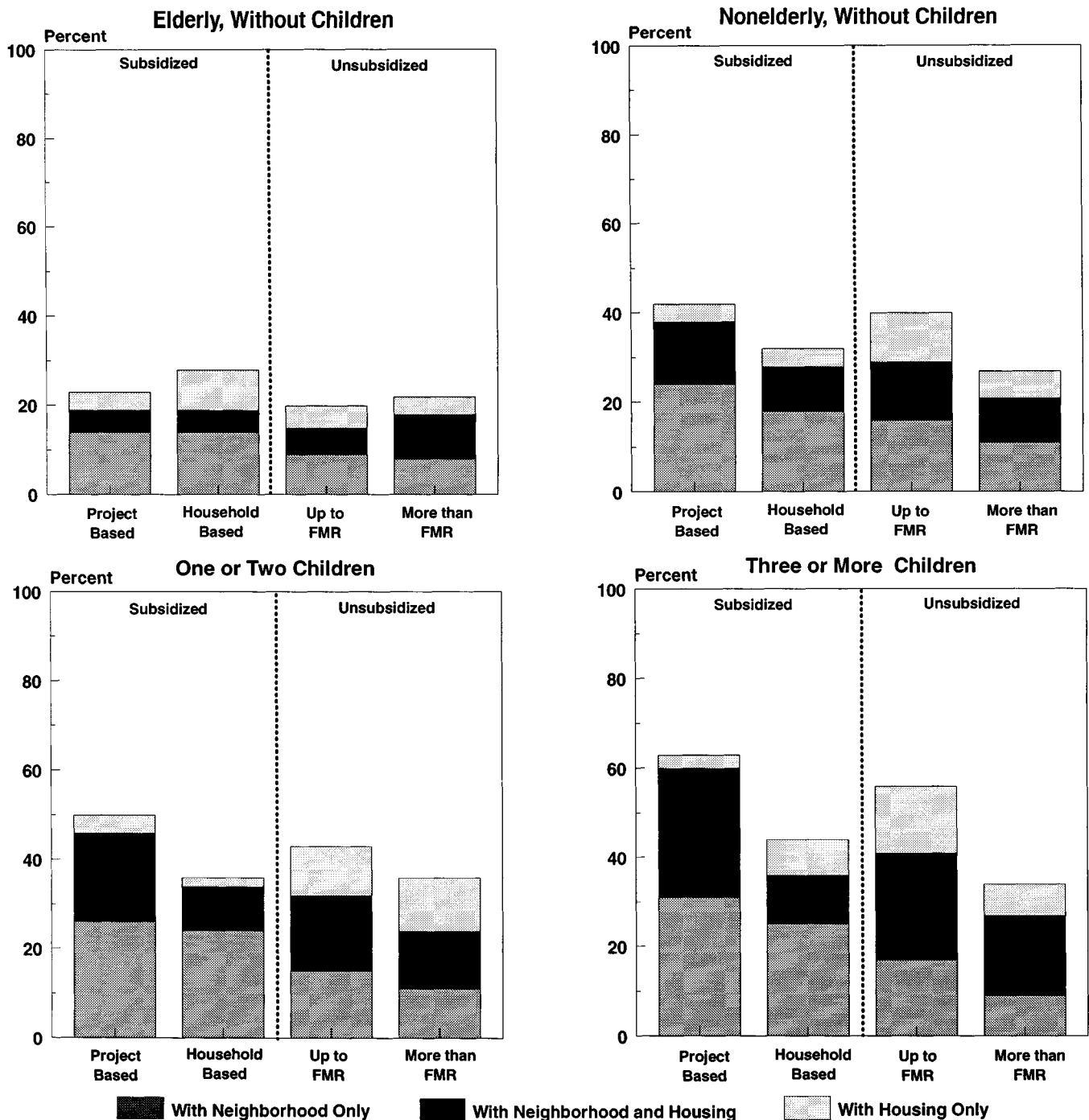
types of subsidies. By contrast, households receiving project-based subsidies generally were more likely to be dissatisfied with their housing unit or with their neighborhood than were recipients of household-based aid (see Figure 21). The exception to that pattern was elderly households: the data suggest that those with project-based aid were somewhat less likely to be unhappy with their units than those with household-based aid.

Household-based aid generally increased the likelihood of finding satisfactory units for all groups of very low income renters compared with their unsubsidized counterparts who lived in units renting below the FMR. The elderly were, again, an exception to that pattern. For example, 19 percent of the large families with household-based aid rated their unit as poor compared with 39 percent of their unsubsidized counterparts in lower-rent units. However, for none of the demographic groups did household-based aid affect the likelihood of finding more satisfactory neighborhoods.

As discussed earlier, paying higher rent did not alleviate substandard or crowded housing conditions very much among very low income renters who received no assistance. It did, however, buy greater satisfaction with both their housing and their neighborhoods. Overall, 29 percent of unsubsidized households that occupied higher-rent units expressed dissatisfaction with their unit or their neighborhood compared with 39 percent of households that occupied lower-rent units. Those patterns were consistent for all types of households except the elderly ones, for whom rates of dissatisfaction did not differ much. The biggest improvement that came with paying higher rents occurred among large families. Their satisfaction rose with respect to both their unit and their neighborhood: overall ratings of "poor" dropped from 56 percent to 34 percent. Those results are consistent with the hypothesis that living in expensive units constitutes a choice for many households with priority status.

19. Research shows that households with Section 8 certificates tend to live in units with rents that are very close to the FMR. But almost half of the households with vouchers live in units with rents above the FMR.

Figure 21.
Percentage of Subsidized and Unsubsidized Very Low Income Renters Dissatisfied with Their
Neighborhoods or Housing Conditions, by Demographic Group and Type of Subsidy or Rent Level, 1989



SOURCE: Congressional Budget Office based on a special version of the Census Bureau's 1989 American Housing Survey.

NOTES: Elderly households are those headed by a person age 62 or older. Children are household members age 18 or younger. See Box 1 for definitions of types of subsidies and Box 3 for a definition of very low income renters. The data exclude renters who paid no cash rent.

The fair market rent (FMR) is the maximum rent in a geographic area that the Department of Housing and Urban Development subsidizes in some of its programs.